

Loyalty, Anyone

By T. Scott Gross

And just how much is a loyal customer worth? The answer is probably as much myth as fact when it comes to the value of loyal customers. We say they cost less to serve. We imagine that loyal customers have established a bond with products or servers or even habit that motivates their willingness to pay more. And we like to believe that loyal customers are great marketers for products they love.

But none of that is unconditionally true.

Loyal customers, call them 'regulars' if you will, often want and demand more, not less service. Regulars feel entitled to special treatment precisely because they *are loyal*. The same applies to price. High-volume regular customers are acutely aware of their value to the business and often expect lower, not higher prices.

Some years ago one of our loyal customers called me to his office, smiled, and slid a single sheet of paper across the desk. To set the stage, we were producing at the time video-based training programs for this international, multi-billion dollar retailer. When we pitched their account we went in with a low bid with the expectation that landing this chunk of regular business would easily crack our monthly nut enabling us to charge a bit more for smaller projects. After several years of dedicated effort this loyal customer had *not* become cheaper to serve. The economics of scale and working on multiple projects materialized as forecasted. What wasn't forecast was that the client would often change plans at the last moment, sending us into "overwhelm" when we had to

make revisions and re-schedule our crew. Oh, and did I mention that our competition was always breathing down our neck with their version of a 'foot-in-the-door' bid? Well, it was. But not to worry; our client was loyal—just not all that profitable and, on some projects they just plain ate our lunch.

To continue... He pushed the paper again, expecting that I would meet him halfway and slip it from the desk. "What's this, Dave?" Dave was my buddy. Sure, I paid for lunch—every time. Sure, we often treated him and his wife to dinner. It was a business expense.

"What's this, Dave?" "Those are your new prices. My budget has been trimmed and I'm passing along the savings." This from my 'buddy,' the guy who had over the previous few months begun to be rude to my crew and who frequently had failed to show up for a shoot. A loyal customer. We fired him. And that next year was our most profitable ever.

In many cases loyal customers are not cheaper to serve, and they expect lower, not higher, prices in exchange for their dependable, if not all that profitable, business.

Thinking Point

Not all business is good business.